

# State Lottery

Analyst: Milstead

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2003 Total App</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Approp</b>	<b>FY 2005 Request</b>	<b>FY 2005 Gov Rec</b>
<b>BY FUND CATEGORY</b>					
Dedicated	10,520,100	9,779,800	10,470,700	11,269,400	10,845,900
Percent Change:		(7.0%)	7.1%	7.6%	3.6%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	2,341,100	2,266,700	2,412,300	2,523,100	2,545,100
Operating Expenditures	8,011,700	7,376,900	7,996,000	8,129,200	7,983,700
Capital Outlay	167,300	136,200	62,400	617,100	317,100
<b>Total:</b>	<b>10,520,100</b>	<b>9,779,800</b>	<b>10,470,700</b>	<b>11,269,400</b>	<b>10,845,900</b>
Full-Time Positions (FTP)	47.00	47.00	47.00	48.00	48.00

## Division Description

In 1988, the Legislature authorized a vote by the electorate of Idaho for a constitutional amendment repealing the constitutional ban on lotteries. The constitutional amendment passed by 51%.

The mission of the Idaho Lottery is to maximize net income and the resulting annual dividend payments for Idaho public schools and buildings. Since its inception 14 years ago, the Lottery has produced more than \$245 million in dividends. The Idaho Lottery Commission is a five-member board appointed by the Governor and serves five-year terms. The Commission adopts rules for the agency, approves contracts and monitors all Lottery operations.

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## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2004 Original Appropriation</b>	<b>47.00</b>	<b>0</b>	<b>10,470,700</b>	<b>47.00</b>	<b>0</b>	<b>10,470,700</b>
Removal of One-Time Expenditures	0.00	0	(9,000)	0.00	0	(9,000)
<b>FY 2005 Base</b>	<b>47.00</b>	<b>0</b>	<b>10,461,700</b>	<b>47.00</b>	<b>0</b>	<b>10,461,700</b>
Personnel Cost Rollups	0.00	0	53,400	0.00	0	53,400
Inflationary Adjustments	0.00	0	145,500	0.00	0	0
Replacement Items	0.00	0	263,700	0.00	0	263,700
Nonstandard Adjustments	0.00	0	(12,300)	0.00	0	(12,300)
Change in Employee Compensation	0.00	0	21,400	0.00	0	43,400
<b>FY 2005 Program Maintenance</b>	<b>47.00</b>	<b>0</b>	<b>10,933,400</b>	<b>47.00</b>	<b>0</b>	<b>10,809,900</b>
1. Graphics Design Position	1.00	0	36,000	1.00	0	36,000
2. Additional Machines	0.00	0	300,000	0.00	0	0
<b>FY 2005 Total</b>	<b>48.00</b>	<b>0</b>	<b>11,269,400</b>	<b>48.00</b>	<b>0</b>	<b>10,845,900</b>
Change from Original Appropriation	1.00	0	798,700	1.00	0	375,200
% Change from Original Appropriation			7.6%			3.6%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2004 Original Appropriation</b>	47.00	0	10,470,700	0	10,470,700

## Removal of One-Time Expenditures

Reflects the removal of one-time capital outlay expenditures.

Agency Request	0.00	0	(9,000)	0	(9,000)
Governor's Recommendation	0.00	0	(9,000)	0	(9,000)

<b>FY 2005 Base</b>					
Agency Request	47.00	0	10,461,700	0	10,461,700
Governor's Recommendation	47.00	0	10,461,700	0	10,461,700

## Personnel Cost Rollups

Includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are: health insurance rates which are projected to increase by 17 percent, from \$5,548 to \$6,493 per employee; and retirement system (PERSI) rates that will increase by over 6% to 10.39.

Agency Request	0.00	0	53,400	0	53,400
Governor's Recommendation	0.00	0	53,400	0	53,400

## Inflationary Adjustments

Includes a general inflationary increase of 1.9% in operating expenditures.

Agency Request	0.00	0	145,500	0	145,500
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*The Governor recommends no increase for general inflation.*

Governor's Recommendation	0.00	0	0	0	0
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## Replacement Items

This provides spending authority for the Security Division for control panels, card readers, wiring and cameras for a new security system (\$41,900). It also provides spending authority for the Information Systems Division for 25 new PCs (\$25,000); one Macintosh Computer for ticket design (\$5,000); four system processors (\$24,000); one email network box (\$9,000); one power distribution unit (\$8,800); and one pull-tab ticket vending machine (\$150,000).

Agency Request	0.00	0	263,700	0	263,700
Governor's Recommendation	0.00	0	263,700	0	263,700

## Nonstandard Adjustments

The Statewide Cost Allocation Plan assesses state agencies for their actual use of Attorney General, State Controller and State Treasurer services. Attorney General fees are reduced by \$11,100, Controller fees are reduced by \$1,900 and Treasurer fees are reduced by \$4,000. Also included are changes in property/casualty insurance premiums (reduction of \$2,300) and an increase in office lease of \$7,000.

Agency Request	0.00	0	(12,300)	0	(12,300)
Governor's Recommendation	0.00	0	(12,300)	0	(12,300)

## Change in Employee Compensation

Reflects the cost of a 1% salary increase for permanent and group positions.

Agency Request	0.00	0	21,400	0	21,400
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*The Governor recommends a compensation increase of 2% to be distributed based on merit. No adjustment to the pay line is recommended.*

Governor's Recommendation	0.00	0	43,400	0	43,400
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<b>FY 2005 Program Maintenance</b>					
Agency Request	47.00	0	10,933,400	0	10,933,400
Governor's Recommendation	47.00	0	10,809,900	0	10,809,900

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
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## 1. Graphics Design Position

This provides spending authority for a new FTP-- an in-house graphic design specialist position. Over the past two fiscal years, the Lottery has experienced increased sales, especially with the scratch-ticket products. The agency states that the majority of the sales increase is attributable to attractive ticket art and an increased use of other point-of-sale related print advertising. The Lottery estimates the cost of outsourcing the required art work to be approximately \$180,000 annually. The creation of this in-house position would represent an annual savings to the advertising budget of approximately \$144,000.

Agency Request	1.00	0	36,000	0	36,000
<i>Governor's Recommendation</i>	<i>1.00</i>	<i>0</i>	<i>36,000</i>	<i>0</i>	<i>36,000</i>

## 2. Additional Machines

This request provides spending authority for the purchase of 40 scratch-ticket vending machines at \$7,500 each. Approximately 25% of the Lottery's scratch-ticket sales and 100% of pull-tab tickets are made from vending machines. Many lottery retailers, such as grocery stores, find vending machines the only practical method of selling scratch tickets. By combining the planned additions for both years into a single order, the Lottery believes that it can negotiate a lower overall price.

Agency Request	0.00	0	300,000	0	300,000
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*Not recommended by the Governor.*

<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
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## FY 2005 Total

Agency Request	48.00	0	11,269,400	0	11,269,400
<i>Governor's Recommendation</i>	<i>48.00</i>	<i>0</i>	<i>10,845,900</i>	<i>0</i>	<i>10,845,900</i>

Agency Request

Change from Original App	1.00	0	798,700	0	798,700
% Change from Original App	2.1%		7.6%		7.6%

*Governor's Recommendation*

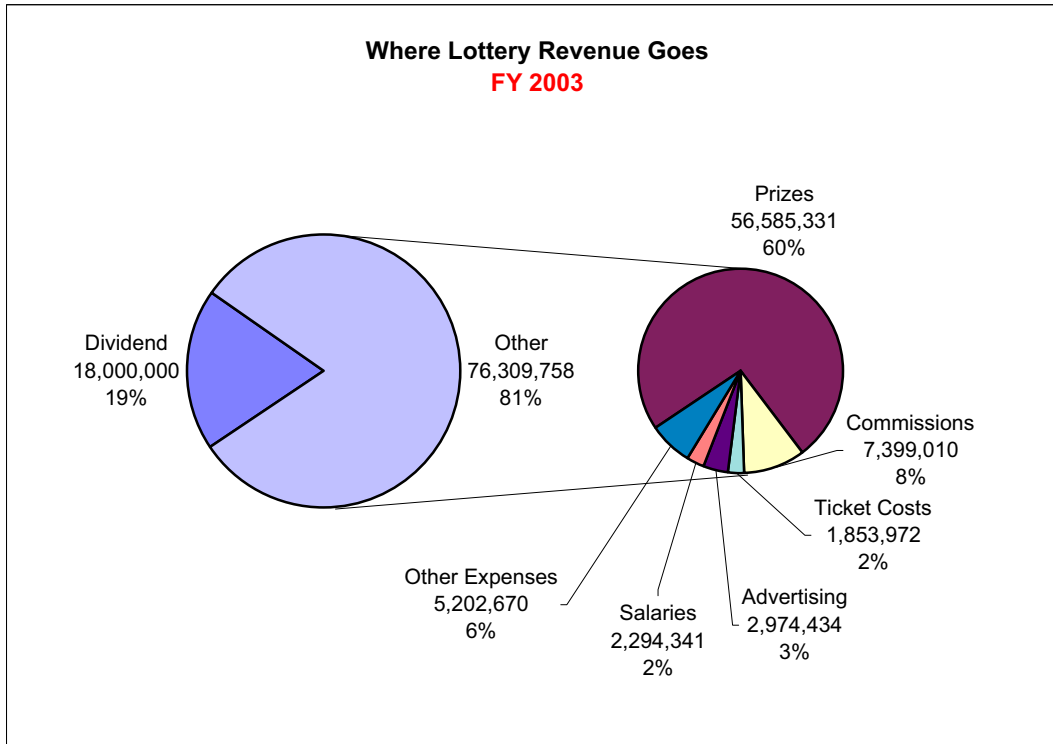
<i>Change from Original App</i>	<i>1.00</i>	<i>0</i>	<i>375,200</i>	<i>0</i>	<i>375,200</i>
<i>% Change from Original App</i>	<i>2.1%</i>		<i>3.6%</i>		<i>3.6%</i>

### Statutory Requirements

Prize payout shall be no less than 45% of lottery revenues.

Administrative costs shall not exceed 15% of lottery revenue during any fiscal year.

Advertising & promotional costs shall not exceed 3.5% of lottery revenue during any fiscal year.



### Annual Dividends Paid to the Permanent Building Fund and Public Schools by Lottery Since its Inception

FY	Revenues	Dividend	Schools	Building Fund
1990	66,267,849	17,225,000	8,612,500	8,612,500
1991	51,486,306	17,225,000	8,612,500	8,612,500
1992	51,979,833	12,000,000	6,000,000	6,000,000
1993	57,151,555	14,000,000	7,000,000	7,000,000
1994	72,515,013	18,000,000	9,000,000	9,000,000
1995	88,443,288	18,500,000	9,250,000	9,250,000
1996	91,664,011	19,000,000	9,500,000	9,500,000
1997	87,646,154	20,000,000	10,000,000	10,000,000
1998	90,177,091	19,500,000	9,750,000	9,750,000
1999	91,007,996	20,500,000	10,250,000	10,250,000
2000	87,118,459	20,600,000	10,300,000	10,300,000
2001	86,061,554	18,000,000	9,000,000	9,000,000
2002	92,671,287	15,000,000	7,500,000	7,500,000
2003	98,168,854	18,000,000	9,000,000	9,000,000
	1,112,359,250	247,550,000	123,775,000	123,775,000